

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2008-2-E**  
**March 21, 2008**

IN RE:	)	
	)	
South Carolina Electric & Gas Company -	)	<b>SETTLEMENT AGREEMENT</b>
Annual Review of Base Rates for	)	
Fuel Costs	)	
	)	
_____	)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Energy Users Committee (“SCEUC”), CMC Steel South Carolina f/k/a SMI Steel South Carolina (“CMC”), and South Carolina Electric & Gas Company (“SCE&G”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedure established in S.C. Code Ann. §58-27-865 (Supp. 2007), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling matters in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception that the Parties agree that on page 6, line 2 of the direct testimony of Joseph K. Todd, 93.05% should be amended to state 95.36% and on page 6, line 19, 3.98% should be amended to state 3.68%.

A. SCE&G witnesses:

- (1) Robert M. Fowlkes
- (2) Joseph K. Todd
- (3) Joseph M. Lynch
- (4) Gerhard Haimberger
- (5) James E. Swan, IV (Mr. Swan will also discuss and support the Settlement Agreement during the hearing.)
- (6) Allen W. Rooks

B. ORS witnesses:

- (1) Jacqueline R. Cherry
- (2) Michael L. Seaman-Huynh

2. As a compromise, all Parties adopt, accept, and acknowledge as the agreement of the Parties that:

- A. SCE&G's under recovered fuel cost balance for the period February 1, 2007 through April 30, 2008 is projected to be the amount of \$12,588,524. This under recovery consists of historical under recovered costs for the period February 1, 2007 through January 31, 2008, offset by the estimated over recovered costs for the period February 1, 2008 through April 30, 2008.
- B. The appropriate fuel factors for SCE&G to charge for the period beginning with the first billing cycle in May 2008 extending through the last billing cycle of April 2009 are listed below. These fuel factors include environmental costs and the under recovered fuel costs described in paragraph 2(A).

<b>Class</b>	<b>Base Fuel Cost Component (cents/KWH)</b>	<b>Environmental Fuel Cost Component (cents/KWH)</b>	<b>Total Fuel Costs Factor (cents/KWH)</b>
Residential	2.641	0.101	2.742
Small General Service	2.641	0.087	2.728
Medium General Service	2.641	0.075	2.716
Large General Service	2.641	0.044	2.685
Lighting	2.641	-	2.641

- C. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 as amended by 2007 S.C. Acts 16. The Parties further agree that any and all challenges to SCE&G's historical fuel costs recovery for the period ending January 31, 2008, are not subject to further review; however, the projected fuel costs for periods beginning February 1, 2008, and thereafter shall be open issues in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (Supp. 2007).
- D. Included in the above fuel costs are approximately \$27 million in credits to electric customer classes from the Prepaid Municipal Fee Account. The credits were applied directly to total environmental costs which are included in fuel costs pursuant to § 58-27-865 (Supp. 2007). Discussion of the Prepaid Municipal Fee Account is set forth in Docket No.

2007-459-E and Order No. 2008-49 as well as the testimony of James E. Swan, IV in this docket. SCE&G further agrees to apply as a credit to total environmental costs any additional collections it receives via its collection process from past-due municipal fee accounts due prior to December 31, 2006.

E. The Parties agree to accept all accounting adjustments as put forth in ORS witness Jacqueline R. Cherry's testimony. Additionally, the Parties agree to accept the amendments to the tariff sheet set forth by ORS witness Michael L. Seaman-Huynh in Exhibit MSH-9.

F. The Parties agree that in establishing the fuel cost recovery factors contained herein, the terms of Paragraph 2(C) of Exhibit 1 to Order No. 2006-235(A) (i.e., the 2006 Settlement Agreement) have been applied to calculate carrying costs for the period May 1, 2007 through April 30, 2008. The carrying cost terms of the 2006 Settlement Agreement will not apply beyond April 30, 2008.

G. SCE&G agrees to provide to ORS, CMC and SCEUC the following:

(1) Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,

(2) Quarterly forecasts beginning with the quarter ending June 30, 2008 of the expected fuel factor to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over/under recovery to date. SCE&G agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding; however, all Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceedings.

3. The Parties agree this Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy.

4. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code §58-4-10(B) (Supp. 2007). S.C. Code §58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services."

5. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

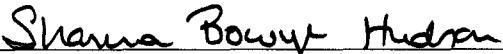
6. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

7. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of

the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

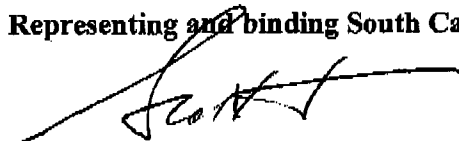
WE AGREE:

**Representing and binding the South Carolina Office of Regulatory Staff**

  
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WE AGREE:

**Representing and binding South Carolina Energy Users Committee**



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WE AGREE:

**Representing and binding South Carolina Electric & Gas Company**



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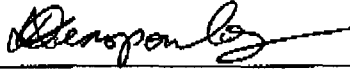
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WE AGREE:

**Representing CMC Steel South Carolina f/k/a SMI Steel- South Carolina**



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**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2008-2-E**

IN RE:

Annual Review of Base Rates for Fuel Costs of	)	<b>CERTIFICATE OF SERVICE</b>
South Carolina Electric and Gas Company	)	
	)	
	)	

This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by electronic mail and by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

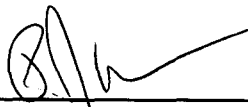
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Pamela J. McMullan

March 21, 2008  
Columbia, South Carolina